

Emery Town,  
Emery County, Utah

**ANNUAL FINANCIAL REPORT**

For the Year Ended June 30, 2005

Emery Town  
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June 30, 2005

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# Kimball & Roberts

Certified Public Accountants

A Professional Corporation

Box 663

Richfield, Utah 84701

Phone 896-6488

## INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Town Council  
Emery Town  
Emery, Utah 84522

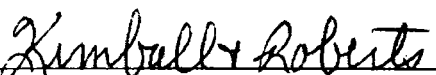
We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Emery Town as of and for the year ended June 30, 2005, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Emery Town's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Emery Town as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2005, on our consideration of Emery Town's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis and budgetary comparison information on pages 5 through 11 and 41 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

  
KIMBALL & ROBERTS, P. C.  
Certified Public Accountants

December 9, 2005  
Richfield, Utah



## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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Emery Town  
**Management's Discussion and Analysis**  
June 30, 2005

As management of Emery Town (the Town), we offer readers of the Town's financial statements this narrative overview and analysis of financial activities of the Town for the fiscal year ended June 30, 2005.

**FINANCIAL HIGHLIGHTS**

- \*Total net assets for the Town as a whole increased by \$154,055.
- \*Total unrestricted net assets for the Town as a whole increased by \$31,023.
- \*Total net assets for governmental activities changed by -\$18,146.
- \*Total net assets for business-type activities increased by \$172,200.

**BASIC FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the basic financial statements of Emery Town. The basic financial statements comprise three components: (1) government wide financial statements, (2) fund financial statements, and (3) notes to the financial statements.

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the town's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The statement of activities presents information showing how the Town's net assets changed during the fiscal year reported. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The statement of activities is presented on two pages. The first page reports the extent to which each function or program is self-supporting through fees and intergovernmental aid. The second page identifies the general revenues of the Town available to cover any remaining costs of the functions or programs.



Emery Town  
**Management's Discussion and Analysis**  
June 30, 2005

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Emery Town also uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into two categories: governmental funds and proprietary funds.

Governmental funds. These funds are used to account for the same functions reported as governmental activities in the government-wide financial statements. Governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year.

Because of the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for government funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the government fund balance sheet and the government fund statement of the revenues, expenditures, and changes in fund balances provide reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Town's general fund is its only major governmental fund. The perpetual care fund is reported as non-major.

The Town adopts an annual appropriated budget for its general and perpetual care funds. A budgetary comparison schedule has been provided to demonstrate legal compliance with the adopted budget for the general fund.

The basic governmental fund financial statements can be found later in this report; see Table of Contents.

Proprietary funds. Emery Town maintains an enterprise fund, a type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses the enterprise fund to account for its public utility activity.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The enterprise fund is reported as a major fund.

The proprietary fund financial statements can be found later in this report; see Table of Contents.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are reported later in this report; see Table of Contents.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Town.

Emery Town  
**Management's Discussion and Analysis**  
June 30, 2005

**FINANCIAL ANALYSIS**

**Emery Town's Net Assets**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Current Year</u>	<u>Total Previous Year</u>
	<u>Current Year</u>	<u>Previous Year</u>	<u>Current Year</u>	<u>Previous Year</u>		
Current and other assets	\$171,602	130,352	356,024	182,983	527,626	313,334
Capital assets	<u>670,749</u>	<u>715,513</u>	<u>844,096</u>	<u>684,522</u>	<u>1,514,844</u>	<u>1,400,035</u>
<b>Total assets</b>	<b><u>\$842,351</u></b>	<b><u>845,865</u></b>	<b><u>1,200,119</u></b>	<b><u>867,504</u></b>	<b><u>2,042,470</u></b>	<b><u>1,713,369</u></b>
Long-term liabilities			62,843	69,065	62,843	69,065
Other liabilities	<u>\$16,486</u>	<u>1,854</u>	<u>170,923</u>	<u>4,286</u>	<u>187,409</u>	<u>6,140</u>
<b>Total liabilities</b>	<b><u>\$16,486</u></b>	<b><u>1,854</u></b>	<b><u>233,766</u></b>	<b><u>73,351</u></b>	<b><u>250,252</u></b>	<b><u>75,205</u></b>
Net assets:						
Invested in net assets, net of debt	\$670,749	715,513	781,253	615,456	1,452,001	1,330,969
Restricted	<u>100,000</u>	<u>98,000</u>	<u>9,530</u>	<u>9,530</u>	<u>109,530</u>	<u>107,530</u>
Unrestricted	<u>55,116</u>	<u>30,497</u>	<u>175,571</u>	<u>169,167</u>	<u>230,687</u>	<u>199,664</u>
<b>Total net assets</b>	<b><u>\$825,865</u></b>	<b><u>844,010</u></b>	<b><u>966,353</u></b>	<b><u>794,153</u></b>	<b><u>1,792,218</u></b>	<b><u>1,638,163</u></b>

As noted earlier, net assets may serve over time as a useful indicator of financial position. Total assets exceeded total liabilities at the close of the year by \$1,781,081, an increase of \$142,917 from the previous year. This change is equivalent to the net income for the year, in private sector terms.

Total unrestricted net assets at the end of the year are \$219,550, which represents an increase of \$19,886 from the previous year. Unrestricted net assets are those available to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements.

The amount of current and other assets represent the amounts of cash and receivables on hand at the end of each year. Other liabilities are the amounts of current and other assets due, at year end, for goods and services acquired.

Changes in capital assets are the result of the difference, in the current year, in the cost of acquisition of capital assets and any depreciation charges on capital assets. The difference in long-term debt is the amount of debt which has been paid during the year.

Emery Town  
**Management's Discussion and Analysis**  
June 30, 2005

**FINANCIAL ANALYSIS (continued)**

**Emery Town's Changes in Net Assets:**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Current Year</u>	<u>Total Previous Year</u>
	<u>Current Year</u>	<u>Previous Year</u>	<u>Current Year</u>	<u>Previous Year</u>		
<b>Program revenues:</b>						
Charges for services	\$ 23,332	14,537	73,570	64,395	96,902	78,932
Operating grants	28,161	45,770			28,161	45,770
Capital grants	20,463		179,780	15,434	200,243	15,434
<b>General revenues:</b>						
Property taxes	22,924	17,723	-	-	22,924	17,723
Sales tax	31,155	19,478			31,155	19,478
Other taxes	7,900	7,850			7,900	7,850
Other revenues	6,224	8,037	1,569	887	7,793	8,925
<b>Total revenues</b>	<b><u>140,159</u></b>	<b><u>113,394</u></b>	<b><u>254,919</u></b>	<b><u>80,716</u></b>	<b><u>395,078</u></b>	<b><u>194,110</u></b>
<b>Expenses:</b>						
Administration	44,197	33,688			44,197	33,688
Public safety - fire	8,798	5,446			8,798	5,446
Streets and highways	95,647	88,992			95,647	88,992
Cemetery	1,955	3,506			1,955	3,506
Parks and recreation	7,708	31,725			7,708	31,725
Public utilities			82,718	79,667	82,718	79,667
<b>Total expenses</b>	<b><u>158,305</u></b>	<b><u>163,357</u></b>	<b><u>82,718</u></b>	<b><u>79,667</u></b>	<b><u>241,023</u></b>	<b><u>243,024</u></b>
<b>Excess (deficiency) before transfers</b>	<b>(18,146)</b>	<b>(49,963)</b>	<b>172,200</b>	<b>1,049</b>	<b>154,055</b>	<b>(48,914)</b>
Transfers	-	-	-	-	-	-
<b>Increase (decrease) in net assets</b>	<b><u>\$(18,146)</u></b>	<b><u>(49,963)</u></b>	<b><u>172,200</u></b>	<b><u>1,049</u></b>	<b><u>154,055</u></b>	<b><u>(48,914)</u></b>

Total revenues increased by \$200,968, while total expenses decreased by \$2,001. The total net increase for the year of \$154,055 is an increase from the previous year of \$202,969.

Governmental activities revenues of \$140,159 is an increase of \$26,765 from the previous year. This is a result of grants received for the park improvements. Governmental activities expenses of \$158,305 is a decrease of \$5,052 from the previous year. This was primarily due to the history book being published in the previous year.

Business-type activities revenue of \$254,919 is an increase of \$174,203 from the previous year. This is a result of grant revenues related to the catch basin project. Business-type activities expenses of \$82,718 is an increase of \$3,051 from the previous year, which reflects a general increase in costs.

Emery Town  
**Management's Discussion and Analysis**  
June 30, 2005

**BALANCES AND TRANSACTIONS OF INDIVIDUAL FUNDS**

Some of the more significant changes in fund balances and fund net assets and any restrictions on those amounts are described below:

*General Fund*

The fund balance in the general fund of \$124,136 reflects an increase of \$25,281 from the previous year. Total revenues increased by \$27,721. Tax revenues, including property taxes and sales taxes increased by \$16,930. Intergovernmental revenues increased by \$1,334. All other revenues excluding transfers increased by \$9,457.

Total expenditures increased by \$21,913. Expenditure changes, by department, excluding capital outlay: administrative increased by \$10,509, public safety (fire department) increased by \$3,352, streets and highways increased by \$6,656, and parks and recreation decreased by \$25,861. Total expenditures for capital outlay for all departments increased by \$27,257.

The amount reserved at the end of the year for Class C roads amounts to \$100,000, which is an increase of \$2,000 from the previous year end.

*Utility Fund*

Net loss before contributions and transfers was \$7,579. Total expenses increased by \$3,051 from the previous year. Grant revenues totaling \$179,780 were received during the year, resulting in a net increase in net assets of \$163,297.

Net assets restricted for bond payments amount to \$9,530.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

Revenues for the current year, exclusive of transfers and fund balance appropriations, were originally budgeted in the amount of \$126,000. This amount was changed in the final budget to \$146,500 to reflect a decrease in the amount of expected property and sales taxes, as well as a state grant for park improvement.

Expenditures for the current year, including transfers, were originally budgeted in the amount of \$126,000. This amount was amended in the final budget to \$142,970 as a result of the expected increase in park improvement expenditures.

Emery Town  
**Management's Discussion and Analysis**  
June 30, 2005

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Emery Town's Capital Assets (net of depreciation):**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Current Year</u>	<u>Total Prior Year</u>
	<u>Current Year</u>	<u>Previous Year</u>	<u>Current Year</u>	<u>Previous Year</u>		
<b>Net Capital Assets:</b>						
Land and water rights	\$ 35,338	35,338	53,400	53,400	88,738	88,738
Buildings	75,219	78,652			75,219	78,652
Improvements other than buildings	33,261	10,830			33,261	10,830
Equipment	23,381	24,200			23,381	24,200
Water and sewer systems			595,404	615,688	595,404	615,688
Infrastructure	503,549	566,493			503,549	566,493
Work in progress	_____	_____	<u>195,291</u>	<u>15,434</u>	<u>195,291</u>	<u>15,434</u>
<b>Totals</b>	<b><u>\$670,749</u></b>	<b><u>715,513</u></b>	<b><u>844,096</u></b>	<b><u>684,522</u></b>	<b><u>1,514,844</u></b>	<b><u>1,400,035</u></b>

The total amount of capital assets, net of depreciation, of \$1,514,844 is an increase of \$114,810 from the previous year.

Governmental activities capital assets, net of depreciation, of \$670,749 represents a decrease of \$44,764 from the previous year. The climbing rock was added at the park. The other difference is the amount of depreciation charges for the year on all governmental activities capital assets.

Business-type activities capital assets, net of depreciation, of \$844,096 reflects an increase of \$159,574 from the previous year. This increase is the amount of construction costs of the catch basin less the depreciation charges for the year on all business-type capital assets.

Additional information regarding capital assets may be found in the notes to financial statements.

Emery Town  
Management's Discussion and Analysis  
June 30, 2005

**CAPITAL ASSET AND DEBT ADMINISTRATION (continued)**

**Emery Town's Outstanding Debt - Revenue Bonds**

	Current <u>Year</u>	Previous <u>Year</u>
Business-type activities:		
Water bond	\$ 3,364	5,098
Sewer bond	<u>59,479</u>	<u>63,967</u>
Total business-type	<u>62,843</u>	<u>69,065</u>
 Total outstanding debt	 <u>\$62,843</u>	 <u>69,065</u>

The Town has no governmental activity long-term debt. Principal paid on business-type obligations, in the amount of \$6,222, is the difference in the debt from the previous year.

Additional information regarding the long-term liabilities may be found in the notes the financial statements.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

No significant economic changes that would affect Emery Town are expected for the next year. Budgets have been set on essentially the same factors as the current year being reported.

Also, no change in any rates is expected during the next year.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of Emery Town finances for all those with an interest in the Town's finances. Questions concerning any information provided in this report or requests for additional financial information should be addressed to the Emery Town Clerk, 15 South Center, Emery, UT 84522.

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## **BASIC FINANCIAL STATEMENTS**



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Emery Town  
**STATEMENT OF NET ASSETS**  
June 30, 2005

	Governmental Activities	Business-type Activities	Total
<b>ASSETS:</b>			
Current Assets:			
Cash and cash equivalents	\$149,781	167,617	317,398
Accounts receivable	21,821	178,842	200,663
Other assets	-	34	34
Total current assets	<u>171,602</u>	<u>346,494</u>	<u>518,096</u>
Non-current assets:			
Restricted cash and cash equivalents	-	9,530	9,530
Capital assets, net of depreciation	670,749	844,096	1,514,844
Total non-current assets	<u>670,749</u>	<u>853,626</u>	<u>1,524,374</u>
<b>Total assets</b>	<b><u>\$842,351</u></b>	<b><u>1,200,119</u></b>	<b><u>2,042,470</u></b>
<b>LIABILITIES:</b>			
Current Liabilities:			
Accounts payable	\$ 5,994	169,853	175,847
Customer security deposits	-	1,070	1,070
Deferred revenues	10,492	-	10,492
Revenue bonds due within one year	-	6,523	6,523
Total current liabilities	<u>16,486</u>	<u>177,446</u>	<u>193,932</u>
Non-current liabilities:			
Revenue bonds due after one year	-	56,320	56,320
Total non-current liabilities	<u>-</u>	<u>56,320</u>	<u>56,320</u>
<b>Total liabilities</b>	<b><u>16,486</u></b>	<b><u>233,766</u></b>	<b><u>250,252</u></b>
<b>NET ASSETS:</b>			
Invested in capital assets, net of related debt:	670,749	781,253	1,452,001
Restricted:			
Debt service requirements	-	9,530	9,530
Class C roads	100,000	-	100,000
Unrestricted	55,116	175,571	230,687
<b>Total net assets</b>	<b><u>825,865</u></b>	<b><u>966,353</u></b>	<b><u>1,792,218</u></b>
<b>Total liabilities and net assets</b>	<b><u>\$842,351</u></b>	<b><u>1,200,119</u></b>	<b><u>2,042,470</u></b>

The notes to the financial statements are an integral part of this statement.

Emery Town  
**STATEMENT OF ACTIVITIES**  
For the Year Ended June 30, 2005

		Charges	Operating	Capital	Net
	Expenses	for Services	Grants and	Grants and	(Expense)
			Contributions	Contributions	Revenue
					(To Next
					Page)
<b><u>FUNCTIONS/PROGRAMS:</u></b>					
<b>Primary government:</b>					
Governmental activities:					
Administration	44,197	21,848	-	-	(22,349)
Public safety - fire	8,798	-	96	-	(8,702)
Streets and highways	95,647	-	28,065	-	(67,582)
Cemetery	1,955	1,484	-	-	(471)
Parks and recreation	<u>7,708</u>	<u>-</u>	<u>-</u>	<u>20,463</u>	<u>12,755</u>
<b>Total governmental activities</b>	<b><u>158,305</u></b>	<b><u>23,332</u></b>	<b><u>28,161</u></b>	<b><u>20,463</u></b>	<b><u>(86,349)</u></b>
Business-type activities:					
Public utilities	<u>82,718</u>	<u>73,570</u>	<u>-</u>	<u>179,780</u>	<u>170,631</u>
<b>Total business-type activities</b>	<b><u>82,718</u></b>	<b><u>73,570</u></b>	<b><u>-</u></b>	<b><u>179,780</u></b>	<b><u>170,631</u></b>
<b>Total primary government</b>	<b><u>241,023</u></b>	<b><u>96,902</u></b>	<b><u>28,161</u></b>	<b><u>200,243</u></b>	<b><u>84,282</u></b>

(Continued on next page)

The notes to the financial statements are an integral part of this statement.

Emery Town  
**STATEMENT OF ACTIVITIES (continued)**  
For the Year Ended June 30, 2005

	Governmental Activities	Business-type Activities	Total
<b>CHANGE IN NET ASSETS:</b>			
Net (expense) revenue (from previous page)	<u>(86,349)</u>	<u>170,631</u>	<u>84,282</u>
<b>General revenues:</b>			
Property taxes	22,924	-	22,924
Energy taxes	7,900	-	7,900
Sales taxes	31,155	-	31,155
Unrestricted investment earnings	4,723	1,569	6,293
Miscellaneous	<u>1,500</u>	<u>-</u>	<u>1,500</u>
<b>Total general revenues</b>	<b>68,203</b>	<b>1,569</b>	<b>69,773</b>
Transfers	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total general revenues and transfers</b>	<b><u>68,203</u></b>	<b><u>1,569</u></b>	<b><u>69,773</u></b>
<b>Change in net assets</b>	<b><u>(18,146)</u></b>	<b><u>172,200</u></b>	<b><u>154,055</u></b>
Net assets - beginning	<u>844,010</u>	<u>794,153</u>	<u>1,638,163</u>
<b>Net assets - ending</b>	<b><u>825,865</u></b>	<b><u>966,353</u></b>	<b><u>1,792,218</u></b>

The notes to the financial statements are an integral part of this statement.

Emery Town  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
June 30, 2005

	General Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS:</b>			
Cash and cash equivalents	\$118,801	30,980	149,781
Due from other governments	10,684	-	10,684
Property taxes receivable	11,137	-	11,137
<b>Total assets</b>	<b><u>140,622</u></b>	<b><u>30,980</u></b>	<b><u>171,602</u></b>
<b>LIABILITIES AND FUND BALANCES:</b>			
Liabilities:			
Accounts payable & accrued liabilities	5,994	-	5,994
Deferred revenue	10,492	-	10,492
<b>Total liabilities</b>	<b><u>16,486</u></b>	<b><u>-</u></b>	<b><u>16,486</u></b>
Fund Balances:			
Unreserved, reported in:			
General Fund	124,136	-	124,136
Perpetual care	-	30,980	30,980
<b>Total fund balances</b>	<b><u>124,136</u></b>	<b><u>30,980</u></b>	<b><u>155,116</u></b>
<b>Total liabilities and fund balances</b>	<b><u>\$140,622</u></b>	<b><u>30,980</u></b>	<b><u>171,602</u></b>

The notes to the financial statements are an integral part of this statement.

Emery Town  
**STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**  
 For the Year Ended June 30, 2005

	General Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>			
Taxes:			
Property	\$ 22,924	-	22,924
Sales	31,155	-	31,155
Energy	7,900	-	7,900
Licenses and permits	1,517	-	1,517
Intergovernmental	48,624	-	48,624
Charges for services	695	789	1,484
Interest income	4,127	596	4,723
Miscellaneous revenue	21,831	-	21,831
<b>Total revenues</b>	<b><u>138,774</u></b>	<b><u>1,385</u></b>	<b><u>140,159</u></b>
<b>EXPENDITURES:</b>			
Current:			
General government	42,647	-	42,647
Public safety	6,915	-	6,915
Highways and public works	30,654	-	30,654
Parks and recreation	6,020	48	6,068
Capital outlay:			
Parks and recreation	27,257	-	27,257
<b>Total expenditures</b>	<b><u>113,493</u></b>	<b><u>48</u></b>	<b><u>86,284</u></b>
<b>Excess (deficiency) of   revenues over expenditures</b>	<b>25,281</b>	<b>1,337</b>	<b>53,876</b>
<b>Fund balances - beginning of year</b>	<b><u>98,855</u></b>	<b><u>29,643</u></b>	<b><u>128,497</u></b>
<b>Fund balances - end of year</b>	<b><u>\$124,136</u></b>	<b><u>30,980</u></b>	<b><u>182,373</u></b>

The notes to the financial statements are an integral part of this statement.

Emery Town  
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS**  
June 30, 2005

<b>Total Fund Balances for Governmental Funds</b>	<b><u>\$155,116</u></b>
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Total net assets reported for governmental activities in the statement  
are different because:

Capital assets used in governmental funds are not financial resources and  
therefore are not reported in the funds.

Capital assets, at cost	1,572,270
Less accumulated depreciation	<u>(901,521)</u>
Net capital assets	<u>670,749</u>

<b>Total Net Assets of Governmental Activities</b>	<b><u>\$825,865</u></b>
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The notes to the financial statements are an integral part of this statement.

Emery Town  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES**

June 30, 2005

<b>Net Change in Fund Balances - Total Governmental Funds</b>	<b><u>\$ 26,619</u></b>
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets with a material cost are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expenses.

Capital outlays	27,257
Depreciation expense	<u>(72,021)</u>
Net	<b><u>(44,764)</u></b>

<b>Change in Net Assets of Governmental Activities</b>	<b><u>\$(18,146)</u></b>
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The notes to the financial statements are an integral part of this statement.



Emery Town  
**STATEMENT OF NET ASSETS - PROPRIETARY FUNDS**  
June 30, 2005

Business-type Activities - Enterprise Funds

	<u>Public Utilities</u>
<b>ASSETS</b>	
Current Assets:	
Cash and cash equivalents	\$ 167,617
Accounts receivable	<u>178,877</u>
<b>Total current assets</b>	<b><u>346,494</u></b>
Noncurrent assets:	
Restricted cash and cash equivalents	9,530
Land, equipment, buildings, and improvements	1,262,879
Less: Accumulated depreciation	<u>(418,784)</u>
<b>Total noncurrent assets</b>	<b><u>853,626</u></b>
<b>TOTAL ASSETS</b>	<b><u>1,200,119</u></b>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	\$ 169,853
Customer deposits	1,070
Bonds payable, current	<u>6,523</u>
<b>Total current liabilities</b>	<b><u>177,446</u></b>
Noncurrent liabilities:	
Bonds payable, due after one year	<u>56,320</u>
<b>Total noncurrent liabilities</b>	<b><u>56,320</u></b>
<b>TOTAL LIABILITIES</b>	<b><u>233,766</u></b>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	734,463
Restricted	9,530
Unrestricted	<u>222,360</u>
<b>TOTAL NET ASSETS</b>	<b><u>966,353</u></b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$1,200,119</u></b>

The notes to the financial statements are an integral part of this statement.

Emery Town  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
For the Year Ended June 30, 2005

	<u>Business-type Activities - Enterprise Funds</u>
	Public <u>Utilities</u>
<b>OPERATING INCOME:</b>	
Water	\$ 29,370
Sewer	17,855
Irrigation	9,898
Garbage	15,315
Other	<u>1,132</u>
<b>Total operating income</b>	<b><u>73,570</u></b>
<b>OPERATING EXPENSE:</b>	
Salaries and wages	16,993
Employee benefits	4,253
Water services	10,761
Sewer services	5,339
Irrigation services	6,151
Garbage services	15,407
Other costs	225
Depreciation	<u>20,284</u>
<b>Total operating expense</b>	<b><u>79,412</u></b>
<b>Operating income</b>	<b><u>(5,842)</u></b>
<b>Non-operating revenues (expenses):</b>	
Interest revenue	1,569
Interest expense	<u>(3,307)</u>
<b>Total non-operating revenues (expenses)</b>	<b><u>(1,738)</u></b>
<b>Income (loss) before contributions and transfers</b>	<b><u>(7,579)</u></b>
Capital contributions	179,780
Transfers	<u>-</u>
<b>Change in net assets</b>	<b>172,200</b>
<b>Total net assets - beginning</b>	<b><u>794,153</u></b>
<b>Total net assets - ending</b>	<b><u>966,353</u></b>

The notes to the financial statements are an integral part of this statement.

Emery Town  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS**  
For the year ending June 30, 2005

	<u>Business-type Activities - Enterprise Funds</u>
	Public Utilities
Cash flows from operating activities:	
Cash received from customers - service	\$ 72,116
Cash paid suppliers	(53,086)
Cash paid to employees	<u>(6,925)</u>
<b>Net cash provided (used) in operating activities</b>	<b><u>12,105</u></b>
Cash flows from noncapital financing activities:	
Change in customer deposits	<u>120</u>
<b>Net cash provided (used) in noncapital financing activities</b>	<b><u>120</u></b>
Cash flows from capital and related financing activities:	
Cash received from capital grants	12,414
Cash payments for construction and acquisition of plant	(12,492)
Cash payments for long-term debt principal	(6,222)
Cash payments for long-term debt interest	<u>(3,307)</u>
<b>Net cash provided (used) in capital and related financing activities</b>	<b><u>(9,607)</u></b>
Cash flows from investing activities:	
Cash received from interest earned	<u>1,569</u>
<b>Net cash provided (used) in investing activities</b>	<b><u>1,569</u></b>
<b>Net increase (decrease) in cash</b>	<b>4,187</b>
Cash balance, beginning	<u>172,960</u>
<b>Cash balance, ending</b>	<b><u>\$177,147</u></b>
<b>Cash reported on the balance sheet:</b>	
Cash and cash equivalents	167,617
Non-current restricted cash	<u>9,530</u>
<b>Total cash and cash equivalents</b>	<b><u>\$177,147</u></b>

Continued on next page

The notes to the financial statements are an integral part of this statement.

Emery Town  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS (continued)**  
For the year ended June 30, 2005

**Reconciliation of Operating Income  
to Net Cash Provided from Operating Activity:**

	<u>Business-type Activities - Enterprise Funds</u>
	<u>Public Utilities</u>
<b>Net operating income (expense)</b>	<b>\$ (5,842)</b>
Adjustments to reconcile operating income or (loss) to net cash provided (used) in operating activities	
Depreciation and amortization	20,284
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	(1,455)
Increase (decrease) in accounts payable	(849)
<b>Net cash provided in operating activity</b>	<b><u>\$12,105</u></b>

The notes to the financial statements are an integral part of this statement.

Emery Town  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2005

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**1-A. Reporting entity**

Emery Town, (the Town) is a municipal corporation located in Emery County, Utah, and operates under a Mayor-Council form of government. The accompanying financial statements present the Town and its component units, entities for which the Town is considered to be financially accountable.

The Town has no component units and is not a component unit of another entity.

**1-B. Government-wide and fund financial statements**

*Government-wide Financial Statements*

The government-wide financial statements, consisting of the statement of net assets and the statement of changes in net assets report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of inter-fund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Indirect expenses are not allocated. All expenses are included in the applicable function. *Program revenues* include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privilege provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

*Fund Financial Statements*

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, if any, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statement.

Emery Town  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2005

**1-C. Measurement focus, basis of accounting and financial statement presentation**

The financial statements of the Town are prepared in accordance with generally accepted accounting principles (GAAP). The Town's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The Town's reporting entity does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting, generally including the reclassification of internal activity (between or within funds). However, internal eliminations do not include utility services provided to Town departments or payments to the general fund by other funds for providing administrative and billing services for such funds. Reimbursements are reported as reductions to expenses. Proprietary and any fiduciary fund financial statements are also reported using this same focus and basis of accounting although internal activity is not eliminated in these statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied while grants are recognized when the grantor eligibility requirements are met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, sales taxes, intergovernmental revenues, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating income and expense reported in proprietary fund financial statements include those revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services, including administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

Emery Town  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2005

**1-C. Measurement focus, basis of accounting, and financial statement presentation  
(continued)**

*Policy regarding use of restricted resources*

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as needed. Restricted assets and liabilities payable from restricted assets current in nature are reported with current assets and current liabilities. *Restricted assets, non-current* reports assets restricted for acquisition or construction of non-current assets, or are restricted for liquidation of long-term debt.

**1-D. Fund types and major funds**

*Governmental funds*

**The Town reports the following major governmental funds:**

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

**The Town reports the following non-major governmental funds:**

The *cemetery perpetual care funds* accounts for revenues and expenditures of the Town's cemetery activities.

*Proprietary funds*

**The Town reports the following major proprietary funds:**

The *water fund* is used to account for the activities regarding culinary water distribution.

**1-E. Assets, Liabilities, and Net Assets or Equity**

**1-E-1. Deposit and Investments**

Investments are reported at fair value. Deposits are reported at cost, which approximates fair value. Investments of the Town are accounts at the Utah Public Treasurers' Investments Fund. Additional information is contained in Note 2.

Emery Town  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2005

**1-E. Assets, Liabilities, and Net Assets or Equity**

**1-E-2. Cash and Cash Equivalents**

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

**1-E-3. Receivables and Payables**

Accounts receivable other than property taxes and intergovernmental receivables are from customers primarily for utility services. All receivables are considered collectible. No allowance accounts are maintained. Property tax and intergovernmental receivables considered collectible.

During the course of operations, there may be transactions occur between funds that are representative of lending/borrowing arrangements outstanding at year-end. These are reported as either *due to* or *due from other funds*.

Property taxes are assessed and collected for the Town by Emery County and remitted to the Town shortly after collection. Property taxes become a lien on January 1 and are levied on the first Monday in August. Taxes are due and payable on November 1, and are delinquent after November 30. All dates are in the year of levy.

**1-E-4. Restricted Assets**

In accordance with certain revenue bond covenants, resources may be required to be set aside for the repayment of such bonds, and, on occasion, for the repair and maintenance of the assets acquired with the bond proceeds. These resources are classified as restricted assets on the balance sheet because of their limited use. Most capital grant agreements mandate that grant proceeds be spent only on capital assets. Unspent resources of this nature are also classified as restricted. The limited use resources described above involve a reported restriction of both cash and net assets.

**1-E-5. Inventories and Prepaid items**

Inventories in governmental funds are not reported. These consist of immaterial amounts of expendable supplies for consumption. Such supplies are acquired as needed. Proprietary fund inventories, where material, are stated at the lower of cost or market, using the first-in, first-out basis.

Prepaid items record payments to vendors that benefit future reporting and are reported on the consumption basis. Both inventories and prepayments are similarly reported in government-wide and fund financial statements.



Emery Town  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2005

**1-E. Assets, Liabilities, and Net Assets or Equity (continued)**

**1-E-6. Capital Assets**

Capital assets includes property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), and are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual significant cost and an estimated useful life in excess of two years. Such assets are recorded at historical cost or at estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Infrastructure is depreciated.

The cost of normal maintenance and repairs that does not add to the value of an asset or materially extend the assets' life is not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Upon retirement or disposition of capital assets, the cost and related accumulated depreciation are removed from the respective accounts. Depreciation of capital assets is computed using the straight-line method over their estimated useful lives.

Property, plant, and equipment of the primary government, as well as the component units if any, is depreciated using the straight line method over the following estimated useful lives:

<b>Assets</b>	<b>Years</b>
Buildings and improvements	35
Infrastructure	30
Machinery and equipment	5-20
Vehicles	5-10

**1-E-7. Long-term Obligations**

In the government-wide and proprietary fund financial statements, long-term debt and obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net assets. Bond issuance costs, bond discounts or premiums, and the difference between the reacquisition price and the net carrying value of refunded debt are deferred and amortized over the terms of the respective bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Significant or material bond issuance costs are reported as deferred charges.

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures.

Emery Town  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2005

**1-E. Assets, Liabilities, and Net Assets or Equity (continued)**

**1-E-8. Fund Equity**

The governmental fund financial statements report reserved fund balance for amounts not available for appropriation of legally restricted for specified purposes. The General Fund reserve for restricted purposes includes fund balance/net assets resulting from Class C road allotments restricted for eligible road maintenance. Designations of fund balance represent tentative management plans that are subject to change.

**NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**2-A. Budgetary data**

Annual budgets are prepared and adopted by ordinance by total for each department, in accordance with State law, by the Mayor and Town Council on or before June 22 for the following fiscal year beginning July 1. Estimated revenues and appropriations may be increased or decreased by resolution of the Town Council at any time during the year. A public hearing must be held prior to any proposed increase in a fund's appropriations. Budgets include activities in the General Fund. The level of the Town's budgetary control (the level at which the Town's expenditures cannot legally exceed appropriations) is established at the department level. Each department head is responsible for operating within the budget for their department. All annual budgets lapse at fiscal year end.

Utah State law prohibits the appropriation of unreserved General Fund balance to an amount less than 5% of the General Fund revenues. The 5% reserve that cannot be budgeted is used to provide working capital until tax revenue is received, to meet emergency expenditures, and to cover unanticipated deficits. Any unreserved General Fund balance greater than 18% of the next year's budgeted revenues must be appropriated within the following two years.

Once adopted, the budget may be amended by the Town Council without hearing provided the budgeted expenditures do not exceed budgeted revenues and appropriated fund balance. A public hearing must be held if the budgeted expenditures will exceed budgeted revenues and any fund balance which is available for budgeting. With the consent of the Mayor, department heads may reallocate unexpended appropriated balances from one expenditure account to another within that department during the budget year. Budgets for the General Fund are prepared on the modified accrual basis of accounting. Encumbrances are not used.

**2-B. Deficit fund net assets**

None of the Town's funds have deficit balances.

Emery Town  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2005

**NOTE 3 - DETAILED NOTES**

**3-A. Deposits and investments**

Cash and investments as of June 30, 2005 consist of the following:

	<u>Fair Value</u>
Cash on hand	\$ 99
Demand deposits - checking	59,036
Savings	50,679
Investments - PTIF	<u>217,114</u>
<b>Total cash and investments</b>	<b><u>\$326,928</u></b>

Cash and investments listed above are classified in the accompanying government-wide statement of net assets as follows:

Cash and cash equivalents (current)	\$326,928
Restricted cash and cash equivalents (non-current)	<u>9,530</u>
<b>Total cash and cash equivalents</b>	<b><u>\$336,458</u></b>

Cash equivalents and investments are carried at fair value in accordance with GASB Statement No. 31.

The Utah Money Management Act (UMMA) establishes specific requirements regarding deposits of public funds by public treasurers. UMMA requires that Town funds be deposited with a qualified depository which includes any depository institution which has been certified by the Utah State Commissioner of Financial Institutions as having met the requirements specified in UMMA Section 51, Chapter 7. UMMA provides the formula for determining the amount of public funds which a qualified depository may hold in order to minimize risk of loss and also defines capital requirements which an Institution must maintain to be eligible to accept public funds. UMMA lists the criteria for investments and specifies the assets which are eligible to be invested in, and for some investments, the amount of time to maturity.

UMMA enables the State Treasurer to operate the Public Treasurers' Investment Pool (PTIF). PTIF is managed by the Utah State Treasurers' Investment staff and comes under the regulatory authority of the Utah Money Management Council. This council is comprised of a select group of financial professionals from units of local and state government and financial institutions doing business in the state. PTIF operations and portfolio composition is monitored at least semi-annually by the Utah Money Management Council. PTIF is unrated by any nationally recognized statistical rating organizations. Deposits in PTIF are not insured or otherwise guaranteed by the State of Utah. Participants share proportionally in any realized gains or losses on investments which are recorded on an amortized cost basis. The balance available for withdrawal is based on the accounting records maintained by PTIF. The fair value of the investment pool is approximately equal to the value of the pool shares. The Town maintains monies not immediately needed for expenditure in PTIF accounts.

Emery Town  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2005

**3-A. Deposits and investments (continued)**

**Deposit and Investment Risk**

The Town maintains no investment policy containing any specific provisions intended to limit the Town's exposure to interest rate risk, credit risk, and concentration of credit risk other than that imposed by UMMA. The Town's compliance with the provisions of UMMA addresses each of these risks.

**Interest rate risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. All deposits and investments of the Town are available immediately.

**Credit risk**

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligations. Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits. All of the Town's demand and savings deposits are covered by FDIC or NCUSIF insurance.

Custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. This risk is addressed through the policy of investing excess monies only in PTIF.

**Concentration of credit risk**

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. PTIF falls under the constraints of UMMA in limiting concentrations of investments.

**3-B. Receivables**

Accounts not expected to be collected within one year, if significant, are captioned as non-current receivables. Receivables as of year end for the Town's funds are as follows.

	General <u>Fund</u>	Public <u>Utilities</u>	Total <u>Receivables</u>
Property taxes	\$11,137	-	11,137
Intergovernmental	10,684	-	10,684
Grants	-	167,366	167,366
Customers	-	11,477	11,477
<b>Total receivables</b>	<b><u>\$21,821</u></b>	<b><u>178,842</u></b>	<b><u>200,663</u></b>

Emery Town  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2005

**3-C. Capital Assets**

Capital asset activity for the governmental activities was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land and water rights	\$ 35,338	-	-	35,338
Construction in progress	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total capital assets, not being depreciated</b>	<b><u>35,338</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>35,338</u></b>
Capital assets, being depreciated:				
Buildings	164,300	-	-	164,300
Improvements other than buildings	13,000	22,871	-	35,871
Machinery and equipment	73,500	4,386	-	77,886
Infrastructure	<u>1,258,875</u>	<u>-</u>	<u>-</u>	<u>1,258,875</u>
<b>Total capital assets, being depreciated</b>	<b><u>1,509,675</u></b>	<b><u>27,257</u></b>	<b><u>-</u></b>	<b><u>1,536,932</u></b>
Less accumulated depreciation for:				
Buildings	85,648	3,433	-	89,081
Improvements other than buildings	2,170	440	-	2,610
Machinery and equipment	49,300	5,205	-	54,505
Infrastructure	<u>692,382</u>	<u>62,944</u>	<u>-</u>	<u>755,326</u>
<b>Total accumulated depreciation</b>	<b><u>829,500</u></b>	<b><u>72,021</u></b>	<b><u>-</u></b>	<b><u>901,521</u></b>
<b>Total capital assets being depreciated, net</b>	<b><u>680,175</u></b>	<b><u>(44,764)</u></b>	<b><u>-</u></b>	<b><u>635,411</u></b>
<b>Governmental activities capital assets, net</b>	<b><u>\$ 715,513</u></b>	<b><u>(44,764)</u></b>	<b><u>-</u></b>	<b><u>670,749</u></b>

Depreciation expense was charged to functions/programs of the primary government governmental activities as follows:

<b>Governmental Activities:</b>	
General government	\$ 1,550
Public safety	1,883
Highways and public improvements	64,994
Parks, recreation and public property	<u>3,595</u>
<b>Total</b>	<b><u>\$72,021</u></b>

Emery Town  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2005

**3-C. Capital assets, continued**

Capital asset activity for business-type activities was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land and water shares	\$ 53,400	-	-	53,400
Construction in progress	<u>15,434</u>	<u>179,858</u>	<u>-</u>	<u>195,291</u>
<b>Total capital assets, not being depreciated</b>	<b><u>68,834</u></b>	<b><u>179,858</u></b>	<b><u>-</u></b>	<b><u>248,691</u></b>
Capital assets, being depreciated:				
Water system	837,688	-	-	837,688
Sewer system	<u>176,500</u>	<u>-</u>	<u>-</u>	<u>176,500</u>
<b>Total capital assets being depreciated</b>	<b><u>1,014,188</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>1,014,188</u></b>
Less accumulated depreciation for:				
Water system	312,406	33,510	-	345,916
Sewer system	<u>65,809</u>	<u>7,059</u>	<u>-</u>	<u>72,868</u>
<b>Total accumulated depreciation</b>	<b><u>378,215</u></b>	<b><u>40,569</u></b>	<b><u>-</u></b>	<b><u>418,784</u></b>
<b>Total capital assets being depreciated, net</b>	<b><u>635,973</u></b>	<b><u>(40,569)</u></b>	<b><u>-</u></b>	<b><u>595,404</u></b>
<b>Business-type activities capital assets, net</b>	<b><u>\$ 704,807</u></b>	<b><u>139,289</u></b>	<b><u>-</u></b>	<b><u>844,096</u></b>

Depreciation expense was charged to functions/programs of the primary government business-type activities as follows:

<b>Business-Type Activities:</b>	
Utilities	<u>\$40,569</u>
<b>Total</b>	<b><u>\$40,569</u></b>

Emery Town  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2005

**3-D. Long-term debt**

Long-term debt activity for the year was as follows:

	<u>Original Principal</u>	<u>% Rate</u>	<u>06/30/2004</u>	<u>Additions</u>	<u>Reductions</u>	<u>06/30/2005</u>	<u>Due Within One Year</u>
Sewer bond 1977	\$76,161	5.00	\$63,967	-	4,488	59,479	4,717
Water bond 1968	<u>\$9,901</u>	<u>4.13</u>	<u>5,098</u>	<u>-</u>	<u>1,735</u>	<u>3,364</u>	<u>1,806</u>
<b>Totals</b>			<u><b>\$69,065</b></u>	<u><b>-</b></u>	<u><b>6,223</b></u>	<u><b>62,843</b></u>	<u><b>6,523</b></u>

All bonds are revenue bonds secured by the revenues of the water system. Bonds were issued to finance the construction of the water system.

Revenue bond debt service requirements to maturity are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 6,523	3,006	9,529
2007	6,516	2,690	9,206
2008	5,212	2,372	7,584
2009	5,479	2,105	7,584
2010	5,759	1,825	7,584
2011-2015	<u>33,353</u>	<u>4,391</u>	<u>37,744</u>
<b>Total</b>	<u><b>\$62,843</b></u>	<u><b>16,388</b></u>	<u><b>79,231</b></u>

Emery Town  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2005

**NOTE 4 - OTHER INFORMATION**

**4-A. Risk management**

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Town participates in the Utah Local Government Trust, a public agency insurance mutual, which provides coverage for property damage and general liability. The Town is subject to a minimal deductible for claims. There have been no significant reductions in insurance coverage from coverage in the prior year. Amounts of settlements have not exceeded insurance coverage in any of the past three fiscal years.

**4-A. Employee pension and other benefit plans**

**Plan Description:** The Town contributes to the Local Governmental Noncontributory Retirement System (Noncontributory System), which is a cost-sharing multiple-employer defined benefit pension plan administered by the Utah Retirement Systems (Systems). The Systems provide retirement benefits, annual cost of living adjustments, death benefits and refunds to plan members and beneficiaries in accordance with retirement statutes established and amended by the State Legislature.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 (Chapter 49) as amended, which also establishes the Utah State Retirement Office (Office) for the administration of the Utah Retirement Systems and Plans. Chapter 49 places the Systems, the Office and related plans and programs under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Systems and Plans. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, UT 84102 or by calling 1-800-365-8772.

**Funding Policy:** Emery Town is required to contribute a percent of covered salary to the following system: 11.09% to the Noncontributory System. The contribution rate is the actuarially determined rate and is approved by the Board as authorized by Chapter 49.

Emery Town contributions to the various systems for the years ending June 30, 2005, 2004 and 2003 for the Noncontributory System were, respectively, \$5,283, \$4,207, and \$3,808. The contributions were equal to the required contributions for each year.



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**REQUIRED SUPPLEMENTAL INFORMATION**  
**(Unaudited)**



Emery Town  
**SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES -BUDGET AND ACTUAL-GENERAL FUND**  
**(Unaudited)**

For the Year Ended June 30, 2005

	Budgeted <u>Original</u>	Budgeted <u>Final</u>	<u>Actual</u>	Variance with Final Budget <u>Under (Over)</u>
<b>Revenues</b>				
Taxes	\$ 45,400	60,040	61,980	(1,940)
Licenses and permits	1,650	1,500	1,517	(17)
Intergovernmental revenues	33,050	50,100	48,624	1,476
Charges for services	2,500	800	695	105
Interest	1,400	3,700	4,127	(427)
Miscellaneous revenue	<u>42,000</u>	<u>30,360</u>	<u>21,831</u>	<u>8,529</u>
<b>Total revenues</b>	<b>126,000</b>	<b>146,500</b>	<b>138,774</b>	<b>7,726</b>
<b>Expenditures</b>				
General government	42,500	47,780	42,647	5,133
Public safety	7,150	6,900	6,915	(15)
Highways and public improvements	35,600	33,600	30,654	2,946
Parks, recreation and public property	<u>40,750</u>	<u>54,690</u>	<u>33,277</u>	<u>21,413</u>
<b>Total expenditures</b>	<b>126,000</b>	<b>142,970</b>	<b>113,493</b>	<b>29,477</b>
<b>Excess (Deficiency) of Revenues over (Under Expenditures)</b>	<b><u>-</u></b>	<b><u>3,530</u></b>	<b><u>25,281</u></b>	<b><u>(21,751)</u></b>
<b>Other Financing Sources and (Uses)</b>				
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
<b>Total other financing sources and (uses)</b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>
<b>Net Change in Fund Balances</b>	<b><u>-</u></b>	<b><u>3,530</u></b>	<b><u>25,281</u></b>	<b><u>(21,751)</u></b>
Fund balances - beginning of year			<u>128,497</u>	
<b>Fund Balances - end of year</b>			<b><u>\$153,779</u></b>	

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# Kimball & Roberts

Certified Public Accountants  
A Professional Corporation

Box 663

Richfield, Utah 84701

Phone 896-6488

## REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Honorable Mayor and Town Council  
Emery Town  
Emery, Utah 84522

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Emery Town as and for the year ended June 30, 2005, which collectively comprise Emery Town's basic financial statements and have issued our report thereon dated December 9, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Emery Town's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

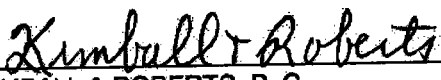
### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Emery Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

However, we noted a certain matter that we reported to the management of Emery Town in a separate letter dated December 9, 2005.

Honorable Mayor and Town Council  
Emery Town  
Page -2-

This report is intended solely for the information and use of the audit committee, management, and Town Board and is not intended to be and should not be used by anyone other than these specified parties.

  
KIMBALL & ROBERTS, P. C.  
Certified Public Accountants

December 9, 2005  
Richfield, Utah

# Kimball & Roberts

*Certified Public Accountants*

*A Professional Corporation*

*Box 663*

*Richfield, Utah 84701*

*Phone 896-6488*

## AUDITOR'S REPORT ON STATE LEGAL COMPLIANCE

Honorable Mayor and Town Council  
Emery Town  
Emery, Utah 84522

We have audited the financial statements of Emery Town, for the fiscal year ended June 30, 2005, and have issued our report thereon dated December 9, 2005. As part of our audit, we have audited Emery Town's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah Legal Compliance Audit Guide for the fiscal year ended June 30, 2005. The Town received the following major State assistance programs from the State of Utah:

C Road Funds (Department of Transportation)  
Liquor Law Enforcement (State Tax Commission)  
CIB Grant (Department of Community and Economic Development)

Our audit also included testwork on the Town's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Audit Guide, including:

Public Debt  
Cash Management  
Purchasing Requirements  
Budgetary Compliance  
Property Tax  
Other Compliance Requirements

The management of Emery Town is responsible for the Town's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.


We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.



Honorable Mayor and Town Council  
Emery Town  
Page -2-

The results of our audit procedures disclosed immaterial instances of noncompliance with the requirements referred to above, which are described in a separate management letter. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, Emery Town, complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to its major State assistance programs for the fiscal year ended June 30, 2005.

  
KIMBALL & ROBERTS, P. C.  
Certified Public Accountants

December 9, 2005  
Richfield, Utah

**EMERY TOWN**  
**MANAGEMENT LETTER**  
**JUNE 30, 2005**

# Kimball & Roberts

Certified Public Accountants

A Professional Corporation

Box 663

Richfield, Utah 84701

Phone 896-6488

## FINDINGS AND RECOMMENDATIONS

Honorable Mayor and Town Board  
Emery Town  
Emery, Utah 84522

During our audit of the funds of Emery Town for the fiscal year ended June 30, 2005, we noted certain areas needing corrective action in order for the Town to be in compliance with state laws and regulations. These items are discussed below for your consideration.

### COMPLIANCE:

#### Cash Management

Utah Code 51-4-2(2) requires that all public funds be deposited daily, whenever practicable, but not later than three business days after receipt.

#### **Finding:**

In our tests of deposits of public funds we selected at random 10 deposits from throughout the year. Each deposit contained many receipts. Two of the deposits contained public funds receipted that were deposited more than three days after receipt.

#### **Recommendation:**

We recommend that all public funds be deposited within three business days of receipt.

#### **Response:**

We have reviewed the above finding with management and management concurred with the recommendation.

#### Fund Balance

Utah Code 10-5-113(2) states that Towns may accumulate a maximum in the general fund's unreserved fund balance an amount that may not exceed 75% of the total estimated revenue of the general fund.

#### **Finding:**

The total estimated revenue for the general fund for the fiscal year ending June 30, 2005 was \$146,500. The allowed unreserved fund balance would be 75% of this amount or \$109,875. Emery Town's unreserved fund balance at June 30, 2005 was \$214,136, which is in excess of the amount allowed.

Honorable Mayor and Town Board  
Emery Town  
Page -2-

**Recommendation:**


We recommend that the Town reduce the unreserved fund balance through the budgetary process this next fiscal year.

**Response:**

We have reviewed the above finding with management and management concurred with the recommendation.

We would like to take this opportunity to thank Emery Town's personnel for the cooperation and assistance given to us during the course of our examination.

Respectfully submitted,

  
KIMBALL & ROBERTS  
Certified Public Accountants

December 9, 2005  
Richfield, Utah